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Quick Bites: Quibi Not 'Shrinking TV' For Mobile Viewing

In just over a year, short-form content streamer **Quibi** has been able to raise $1bln in funding while receiving the backing of major Hollywood studios, but are consumers ready to embrace the app? CEO *Meg Whitman* and founder *Jeffrey Katzenberg* used the company's **CES** keynote Wednesday to dispel any consumer skepticism regarding Quibi, calling it the world's first mobile-only premium entertainment platform. "Mobile phones are the most widely-distributed, democratized entertainment platform the world has ever seen," Katzenberg said. The idea behind the platform is to deliver movie-quality experiences in quick bites (known as Quibis) for Millennial and Gen Z audiences that take advantage of all of the capabilities modern smartphones offer. To do so, Quibi had to tackle the usual challenges that come with mobile viewing, including the inability to watch content in both portrait and landscape modes. "It means creating a technology platform optimized for people on the go and giving them a great entertainment experience in those in-between moments," Whitman said. "We're not shrinking TV onto phones. We're creating something new." Chief product officer *Tom Conrad* took to the stage to unveil Turnstyle, a new way to watch that allows viewers to move between a full-screen landscape mode and a full-screen portrait mode experience at any time. Conrad illustrated Turnstyle by showing the short film "Nest." When the phone was held in portrait mode, viewers were able to see an intruder trying to break into a woman's house through her Google Nest doorbell camera. One turn to landscape showed the woman inside attempting to video chat her father before the intruder made it inside. The phone also offers Quibi creators different ways to window their content that goes beyond the traditional weekly episode drop or "all-at-once" binging model. For example, subscribers will only be able to access *Stephen Spielberg*'s horror series "After Dark" when their phones detect that the sun has gone down. "The episodes can unlock just as it gets dark and the virtual film can melt away right before your eyes when the sun comes up in the morning," Whitman said. As for its corporate partners, Quibi is taking advantage of **Google**'s infrastructure (the same one it uses for **YouTube**) to deliver its content with as little latency as possible. Google, **T-Mobile** (Quibi's wireless partner) and **PepsiCo** are just a few of the brands that have bought out the service's first year of ad inventory worth $150mln. One pain point that could hurt the service is its price. The ad-supported plan clocks in at $4.99/month while an ad-free experience will cost subscribers $7.99/month. To compare it to a recent long-form streaming entrant, **Disney+** is cheaper with

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its $6.99/month price tag. Time will tell whether customers are willing to pay up for Quibi's quick bites, or whether it will just contribute to the subscription fatigue consumers feel from the long-form streaming options that already exist.

Comcast Signs on ViacomCBS Dotted Line: We're getting a better sense of how a combined **ViacomCBS** is going to get distribution deals done with *Ray Hopkins* leading the charge. **Comcast** and ViacomCBS took folks by surprise Wednesday, announcing a long-term carriage deal that includes the 23 **CBS**-owned stations as well as **Showtime**, **CBS Sports Network**, **Smithsonian Channel** and **Pop TV**. It doesn't include the legacy **Viacom** nets (**MTV**, **Comedy Central**, **BET**, etc). That makes sense because Viacom came into the merger with renewals in place for virtually all of its traditional sub base, including Comcast. On the other hand, CBS has about half of its affiliate deals coming up for renewal this year. The plan appears to be to get those CBS deals done in 2020 and to add in the Viacom networks when the deals come around again for renewal. The Comcast deal is a nice feather in ViacomCBS' cap as **Evercore ISI**'s *Vijay Jayant* believes it was done five months early. It likely represents a significant step up in pricing given that the previous deal with Comcast was struck about a decade ago. "Given that a successful Comcast deal outcome has been reached roughly one month since the close of the Viacom/CBS merger, we think a good precedent has been set for future renegotiations and reiterate our outperform rating / $51 target on VIAC/A shares," Jayant wrote. Also significant is that Comcast is the first MVPD to partner with ViacomCBS to make the **CBS All Access** service available subs—especially notable given the free Flex service for Comcast internet-only subs. The normal $5.99/month or $9.99/month price tags for CBS All Access still apply to Comcast subs.

T-Mobile Confident on 4Q, Merger: **T-Mobile** released preliminary 4Q results, showing a strong 1.9mln total net additions/1mln branded postpaid phone net additions. "Wait until you see the rest of the quarter," evp, CFO *Braxton Carter* boasted at an investor conference Wednesday. Carter noted that churn across the wireless industry is up, adding that he wished it was even higher because the company would capture more share. **New Street Research** agreed that higher switching activity should bode well for T-Mobile as well as cable's wireless offerings. Cable has "created a dynamic a little different than everyone predicted," pres/COO *Mike Sievert* said, suggesting that the customers have come disproportionately from **Verizon**. "We've seen Verizon swinging the bat much harder… It looks really expensive the kinds of things they are doing." With Verizon and **AT&T** expressing confidence about net adds for the quarter, New Street analysts wondered in a research note who is losing. "Just **Sprint**? Or will there be a surprise among the two big guys? Or did the industry manufacture another rash of fake customers with BOGOs?," they asked. "Or did more of the prepaid base opt for postpaid service? We don't know the answer." Meanwhile, management continues to express optimism in closing its merger with

Sprint. Closing arguments in the state AGs' challenge of the deal are expected next week. Asked about the possibility of a settlement, Sievert said that door has always been open. If the deal shouldn't close, T-Mobile's board has approved a $9bln buyback that it would immediately reinstitute, according to company brass.

FCC Rural Broadband Plan Prioritizes Fast Speeds: **FCC** chmn *Ajit Pai* circulated a draft order Wednesday that outlines the framework for the new $20.4bln Rural Digital Opportunity Fund. The money would be doled out over 10 years to bring broadband to areas that don't currently have a fixed offering of at least 25Mbps/3Mbps (up from the minimum speed of 10/1Mbps in Connect America Fund Phase II). The Commission is slated to vote on the rules at its Jan 30 open meeting. Funding would be allocated through a multi-round reverse auction, with prioritization given to services with faster speeds and low latency. So once the auction hit the clearing price, if there is more than one bid to serve the same area, the bidder with the faster-speed tier would be declared the winner. Phase I of the auction targets census blocks in wholly unserved areas (approx 6mln unserved homes and businesses based on FCC broadband data) and has a $16bln clearing amount. Phase II is aimed at unserved households in partially served census blocks (where some locations have access to 25/3Mbps fixed broadband). The FCC had proposed three tiers originally for the fund, a 1Gigabit offering, a 100Mbps/20Mbps tier and a 25Mbps/3Mbps tier. It has added a 30Mbps/5Mbps tier.

AT&T Pushing for Bundles: **HBO Max** is coming, and **AT&T** svp and CFO *John Stephens* is confident the service will find success, primarily through bundles. "Customers are going to want to consume in a bundle," Stephens said speaking at an investor conference Wednesday. "On the fiber side, or the home broadband side, it's the ability to bundle that with video. The ability to bundle that with wireless services, the ability to bundle that with a full TV package. We clearly have that advantage, whether it be AT&T TV, whether it be our wireless services, whether it be our fiber to the home." While Stephens didn't release any details on what these bundles might be, he pointed to success competitors **T-Mobile** and **Verizon** have had with bundling **Netflix** and **Disney+**. "I actually smile, because it reinforces our thought processes on HBO Max. The difference is I have owner's economics. We feel really good," he said. On the 5G side, Stephens also feels good, and said he expects sales of 5G equipment to increase. And expect to see those 5G devices in a bundle as well.

ABC at TCA: **Disney**'s newfound streaming prowess—fueled by post-merger control of **Hulu** and the **Disney+** launch—has certainly changed the creative landscape. But ABC Entertainment pres *Karey Burke* insisted the dynamic hasn't spurred any content turf wars among Disney's many brands. "The great news is that we have unbelievably distinct audiences," she told critics at **TCA** on Wed. "They have a very defined brand right out of the gate, and we are broadcasters, and we serve our audiences very differently. The content that we seek is quite different." So while creators still must figure out where to pitch projects within a more complex Disney universe, she said they ultimately drive the process. "The creators decide, and frankly the audience decides where the show goes," she said. "We have not found ourselves in dog fights with our partners." She did note, however, that ABC content on Hulu has helped attract younger viewers to the linear network. As for the overall competitive TV environment, Burke said ABC will double down on live and unscripted programming, with a goal of airing at least one live or tent pole show per month designed for mass appeal. "The definition of what we do every day is broadcasting," she said, emphasizing "broad" as she spoke. "That is the secret sauce."

GLAAD Media Awards Honor Cable, Streaming: Cable and streaming networks lead broadcast in nominations for the 31st **GLAAD** Media Awards, honoring media for accurate and inclusive representations of the LGBTQ community. Cable saw a total of 31 nominees, streaming services have 22, and broadcast nets earned 19 noms. **Netflix** leads the way with 15 total nods, followed by **HBO** with eight. **Apple TV+** and **Disney+** earned their first noms for "Dickinson" and "High School Musical: The Musical: The Series." **MTV**'s "Are You The One?" got its first nom, and **Univision** received seven in Spanish-language categories. Awards will be given out at two events in NYC and LA (March 19 and April 16).

Cable Hall of Fame 2020: Let's hear it for the 2020 inductees to **The Cable Center**'s Cable Hall of Fame. The seven will be feted at annual Cable Hall of Fame celebration on April 30 at the Ziegfeld Ballroom in NYC. This year's class features **CNBC** co-founder *Bridget Baker*, currently CEO of consulting firm Baker Media; *Jim Blackley*, who serves as adviser to **Charter** CEO *Tom Rutledge*; mother-son duo *Cathy Hughes* and *Alfred Liggins*, who oversee **Urban One** and **TV One**; cable pioneer *Jeff Marcus*; Comcast Cable pres/CEO *Dave Watson* and **WarnerMedia** News & Sports chmn/**CNN Worldwide** pres *Jeff Zucker*. They join 140 luminaires who have been inducted into the Hall of Fame since 1998.

People: Analyst *Marci Ryvicker*, previously of **Wolfe Research** and **Wells Fargo Securities**, will join **Comcast** as svp, investor relations in mid-January. She'll report to CFO *Mike Cavanagh*. She succeeds *Jason Armstrong*, who was promoted to group CFO at **Sky**, effective Feb 1. -- *Amy Introcaso-Davis* is joining **Animal Planet** as evp, development and production. She comes over from **E!**, where she served as evp, development and production. *Susanna Dinnage*, former global pres of the net, left **Discovery** at the end of 2019 after Animal Planet was moved under *Nancy Daniels*' purview.

Think about that for a minute...

Of Bubbles and Pins

Commentary by Steve Effros

As we enter the wild world of 2020 it's at least somewhat instructive to check out what was happening in 2019 to get some hints as to what's ahead. As an example, while we all knew that spending on original programming was skyrocketing last year, I was surprised to learn just how high that rocket had gone!

Articles in Variety and lots of other publications now calculate that in order to produce the 500 or so scripted series on television of one sort or another during the year, and to pump out over 160 films from the 10 highest-grossing studios, a cumulative total of over $120 Billion dollars was spent!

Disney led the pack with combined expenditures for its pictures, streaming service, cable networks and the like of close to $28 Billion. The next group, Netflix, Comcast, ViacomCBS and AT&T all hovered around $15 Billion apiece. Coming in under $10, but still in the Billions, were Amazon, Apple, Fox, Discovery, Sony and the list goes on. All above a Billion apiece. No matter how you slice this, that's a lot of money and it points to a future, this year, when even more will be spent. After all, the new streaming services like Peacock, Apple TV+, Disney+, HBO Max and the like are just getting started. They're going to have to make a splash, and that splash is going to cost a lot when everyone else in the pool is splashing too!

I'm the type of guy whose eyes glaze over when you hand me a spreadsheet. But it doesn't take a "numbers" genius to know that these companies are not making back anywhere near the amount of money they're spending right now. And that, they say, is OK, since in at least one example of transparent honesty the folks at Peacock acknowledged publicly that they think it will take five years to start actually making money on the project.

Well, again, I'm no market genius, but it seems to me that not all of those companies, spending all that money, and ramping up even more in the coming year, are going to make it to the day they are "in the black." Yes, some of them are very big, and they have lots of disposable income, in theory. But as John Malone famously said when the telephone companies thought they would just buy the cable industry, (and I'm paraphrasing here) "...at some point the red ink starts flowing under the BoardRoom door."

We're in a very strange time. While all these companies are throwing vast amounts of money at new streaming, direct to consumer business models, legislators and regulators are gearing up to try to severely restrict what and how those companies can offer their wares. More details on that in a future column, but just consider that in Maine they're already trying to require that video product be sold totally a la carte, and "net neutrality" movements in States around the country are just the first step to regulating prices.

Am I crazy, or do I see a "bubble" and a "pin" heading toward each other? Will we see a massive collapse as happened in the tech crash? No, I don't think so. Some of these companies are too big, and too rich. They'll survive, and folks do indeed want to consume that product. But if the trajectory of spending from 2019 continues on the same path in 2020 I would suggest you rip up the spreadsheets and hedge your bets!

Steve

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